MARATHON
FINANCIAL STRATEGIES

How Might the Markets Surprise Us in 2025?

What fueled the modest advance in the S&P 500 Index in January? For the most part, the market narrative remains unchanged since the calendar flipped to 2025—except for new developments on tariffs, which we'll get to shortly.

Key Index Returns (MTD %)

Index	Return (%)
Dow Jones Industrial Average	4.7
NASDAQ Composite	1.6
S&P 500 Index	2.7
Russell 2000 Index	2.6
MSCI World ex-U.S.A.**	4.9
MSCI Emerging Markets**	1.7
Bloomberg U.S. Agg Total Return	0.5

Source: The Wall Street Journal, MSCI.com, Bloomberg, MarketWatch
MTD returns: December 31, 2024–January 31, 2025
***in US Dollars*

Market Drivers: Growth, Inflation, and Interest Rates

Fueled by higher consumer spending, the U.S. economy expanded at an annualized rate of 2.3% in Q4, according to the U.S. Bureau of Economic Analysis. Meanwhile, corporate profits exceeded expectations, per data from LSEG, and inflation, while still elevated, isn't accelerating.

At its end-of-January meeting, the Federal Reserve held interest rates steady at 4.25–4.50%, as expected. Fed Chair Powell emphasized that the Fed is in no rush to cut rates and left the door open for potential hikes if inflation resurges.

Tech Shake-Up: AI Disruption and Market Rotation

An unexpected development last month came on January 27th, when a Chinese startup, **DeepSeek**, announced AI models that outperform leading global AI programs while using significantly less power. This spooked investors, leading to a sharp selloff in semiconductor stocks.

Nvidia (NVDA)—one of the largest stocks in the S&P 500—**fell 17% in one day**, erasing nearly $600 billion in market cap. Yet, despite steep declines in the **Nasdaq Composite** and **S&P 500 Index**, the **Dow closed higher**, and a majority of S&P 500 stocks ended the day in positive territory.

This event was a reminder that **market downturns are often driven by sector rotations rather than indiscriminate selling**. Investors moved funds from recent tech winners into underperforming sectors, highlighting the importance of diversification.

Investors Take Stock of Tariffs

On February 1, President Trump announced a **25% tariff on imports from Canada and Mexico** and a **10% tariff on Chinese goods, including oil**. Canada and Mexico negotiated a **30-day delay**, while China responded with tariffs on select U.S. products.

Investors are closely watching these developments, as new trade barriers could push inflation higher and slow economic growth. The market remains cautious because:

- **Higher tariffs = Higher consumer prices.** Import taxes could lead to increased costs for businesses and consumers.
- **Trade retaliation could impact U.S. exports.** If Canada and Mexico impose counter-tariffs, U.S. companies could face reduced demand abroad.
- **Legal challenges may arise.** Some analysts believe the broad nature of these tariffs could face court challenges, but it's uncertain how courts may ultimately rule.

Some experts speculate that these tariffs may be **a negotiation tactic rather than a long-term policy shift**, but the situation remains fluid.

Staying the Course

While market headlines can be unsettling, it's important to focus on the long-term. **A diversified portfolio won't eliminate short-term volatility, but it has historically been the most effective strategy for achieving financial goals.**

Our approach is guided by experience and academic research. We know that markets go through periods of uncertainty, but patient and disciplined investors have historically been rewarded.

If you'd like to review your financial plan to ensure it aligns with your goals, we're here to help. **Call or schedule a meeting anytime—we appreciate the opportunity to support you.**

Schedule a Meeting

Tax Season Updates and Resources

As tax season approaches, here are key updates and tools to help you file smoothly and make the most of tax-saving opportunities.

2025 Tax Changes: What You Need to Know

The IRS has updated income tax brackets, standard deductions, and retirement contribution limits for 2025. Here are the highlights:

Workplace Retirement Accounts (401(k), 403(b), 457, etc.)

- Contribution limit: **$23,500**
- Catch-up (ages 50-59 or 64+): **$7,500** (total: **$31,000**)
- Catch-up (ages 60-63): **$11,250** (total: **$34,750)**

Individual Retirement Accounts (IRAs)

- Contribution limit: **$7,000**
- Catch-up (50+): **$1,000** (total: **$8,000**)

SIMPLE Accounts

- Contribution limit: **$16,500**

Gift Tax

- Annual exclusion: **$19,000**

For a detailed breakdown of 2025 tax brackets, deductions, and other financial thresholds, download our **2025 Essential Financial Figures** reference guide.

Download: 2025 Essential Financial Figures

Tax Filing & Form Deadlines

Tax forms are mailed in waves to meet IRS deadlines, reduce errors and reduce the need to mail corrected versions. cutmailing deadlines vary depending on the type of document. To help you stay on track, here are key dates for various forms.

Download: Tax Season Guide & Mailing Dates

Uploading Your 1099 to TurboTax or H&R Block

Need help importing your tax forms? Our step-by-step guide walks you through uploading your **1099** to **TurboTax or H&R Block**.

Download: How to Upload Your 1099

Tax management strategies are a key part of our financial planning process. If you have questions about tax planning or other financial matters, we're happy to help.

Schedule a Meeting

Planning to go the Distance

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